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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of
Policies and Rules
Concerning Toll Fraud

CC Docket No. 93-292

COMMENTS OF AMERITECH CORPORATION

Ameritech Corporation¹ hereby submits these Comments in the above-captioned docket. The Notice of Proposed Rulemaking, released December 2, 1993, ("NPRM") seeks comments on what policies should be implemented, or steps taken, to avoid or reduce the incidence of toll fraud. The following are Ameritech's comments on the NPRM.

I. Coordination in Fighting Toll Fraud

Increased industry cooperation and coordination of efforts to fight toll fraud would lead to a reduction in the level of toll fraud. One good starting point for such an effort would be the existing national forum called the Toll Fraud Prevention Committee ("TFPC"). This group has representatives from all segments of the telecommunications industry, including Ameritech. It identifies current fraudulent practices and makes recommendations, drawing on the expertise of its members, for eliminating the practices. As a body of industry representatives, the TFPC strives to eliminate fraud on a cooperative basis. The Commission has participated in some of the meetings.

If this group is utilized to its fullest potential, with involvement and support from law enforcement officials and regulatory officials, substantial progress will be made in reducing the toll fraud problem. Expanding and improving the effectiveness of this group is preferable to starting another advisory committee.

¹ Ameritech Corporation means: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc. (herein "Ameritech").

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Consistent and diligent prosecution of the criminal offenses associated with toll fraud is a prerequisite to effective management of this problem. Federal, state and local law enforcement must recognize toll fraud as serious criminal activity, and work cooperatively with the long distance carriers ("IXCs") and the local exchange companies ("LECs") to solve the problem.

Unfortunately, many statutes dealing with theft of telephone service are out-of-date and inadequate in today's advanced technological environment. Vague language should be replaced with specifics that address the broad range of fraudulent activities constituting criminal offenses. The classification of these crimes as well as the penalties associated with conviction, must be upgraded to serve as an effective deterrent. Both California and Illinois have recently enacted new legislation that can be utilized as models for further reform.² In addition, federal legislation may be needed to ensure effective nationwide enforcement of the laws against toll fraud. Without federal legislation, the perpetrators of these crimes may be able to evade law enforcement officers by skipping from state to state.

Consumer awareness will also play a key role in addressing this issue. As a whole, the industry has increased consumer awareness regarding telecommunications fraud through numerous publications, including magazine and newspaper articles, bulletins, bill inserts and mailings to specific groups of customers. Ameritech uses several of these mediums to educate our customers about toll fraud, specifically, bill inserts, mailings to our Centrex customers, our Business Communications Newsletter and Calling Card Protection Tips. Customer education and awareness are a fundamental part of Ameritech's Fraud Detection and Prevention Plan, and Ameritech is constantly looking for more effective ways to increase that awareness and to enlist consumers' help in solving the problem.

² California Penal Code, § 502.7 *et seq.* (Deering 1993); and Illinois Public Act 88-75 (1993), amending ILL. ANN. STAT. ch. 38, ¶ 15-1 and 16-14 and ch. 134, ¶ 15a and 15c.

II. Responsibility for Detection and Prevention of Toll Fraud

Ameritech does not support the Florida approach to the toll fraud problem. The FCC has mandated certain screening services to address the toll fraud problem.³ Clearly, when a LEC offers toll fraud deterrence services that are not utilized by the service provider, the LEC should be absolved of liability. The FCC should not adopt rules that expand LEC liability, in effect, forcing LECs to guarantee collection of all calls.

Ameritech believes that it will be difficult to establish hard and fast rules that equitably apportion liability. Nonetheless, equipment manufacturers should be required to meet minimal standards to reduce toll fraud. The standards could be established by the TFPC or similar industry organizations. However, industry users must bear the ultimate responsibility for selection of their equipment and controlling access to that equipment. With respect to carriers, most already offer detection and prevention programs, and emphasize consumer education. Further, as noted above, Ameritech as a distributor of PBXs, also notifies customers of toll fraud risks through newsletters, bill inserts and several other communication mediums. Ameritech also sponsors seminars on ways that fraud can occur and methods that can be used to prevent it.

The FCC needs to consider if the "marketplace" can impose the balance of risks necessary to solve this problem -- instead of the FCC attempting to allocate the cost of fraud. It should be recognized that there are direct and indirect costs of toll fraud. The direct costs are the actual bills customers pay, and the indirect costs are the costs associated with implementing and maintaining toll fraud detection and prevention systems. Everyone in the service chain (manufacturer, distributor, and

³ These services are described in Ameritech's Comments, In the Matter of Request to Review Interstate and International Tariff Provisions Relating to Liability for Toll Fraud Charges, File No. 93-TOLL-Fraud-02, dated June 7, 1993.

carrier) all share in the indirect costs of toll fraud. No one party should be singled out by law or regulation to bear the primary responsibility for this problem.

We agree with the concerns of the Commission on the issue of establishing a "general rule" for determining liability for toll fraud losses from calling cards. Any card number, whether issued by a LEC or an IXC, proprietary cards can be "shoulder surfed" in the same manner. Is either issuer to be considered "negligent" because of this? Who then should bear the liability? Ameritech believes that the best solution is to let the carrier and the local exchange company develop their own liability sharing agreements outside of tariffs.

Furthermore, local exchange companies do offer fraud detection services to our various customers to minimize this problem. If these measures are not utilized, however, the local exchange company should not be held responsible.

With respect to the issue of how carriers may recover charges for calling card fraud where cardholder liability is limited to \$50, Ameritech's policy is not to hold customers liable for fraudulent calls made on their calling card, regardless of the dollar amount. Fraudulent calls are investigated by the Message Investigation Center to attempt to identify the perpetrator and take appropriate action. If Ameritech is forced to assume toll fraud losses for calls handled by all service providers, the rates to our customers will have to reflect these increased costs of the business.

III. Fraud Prevention Measures

Our customers are paramount, and their expectation is to do business with a telecommunications vendor that provides cost effective telecommunications solutions, including fraud prevention and early detection services. Consistent with that expectation, Ameritech takes the following action to prevent fraud:

1. Ameritech updates the LIDB database daily, and also prepares real-time updates when Ameritech receives notice of a lost or stolen calling card or otherwise becomes aware that toll fraud is occurring

on a line or billing number in their LIDB. The LIDB support system is staffed 24 hours per day, 7 days a week.

2. High Usage Threshold reports are generated. A report on a particular calling card number is generated after every successive "nth" number of queries. This was implemented in 1992. Usage Threshold reports provide two additional pieces of information: a) identity of the LIDB query originator and b) the last five called numbers from the LIDB queries for that account. Many operator services providers are not providing the called number with their LIDB queries. The lack of this data will limit the value of these new reports, and will inhibit Ameritech's ability to detect potential toll fraud patterns.
3. Today, fraud is discussed in a brochure, and is included in every calling card mailing, as well as within the cardholder information piece itself. Keeping consumers aware and informed of fraud issues is very important to Ameritech in preventing fraud from occurring in the first place. Recently, a press release on a new calling card scam taking place across the country was issued to all Ameritech customers.
4. Last year, the telephone number was removed from the face of the calling card as a way to reduce fraud. Today, the card has only the pin and customer name on the card. We continue to look for ways to limit access to customer's calling cards.
5. In all of our mailings, we stress how easy it is to remember your pin number when using the Ameritech Calling Card; so easy you can leave your card at home in a safe place.
6. In 1993 we began to market the Restricted Calling Card, which limits the calls that can be made to one number. This card is a safe, easy to use product for families and businesses. A mailing in August explained that the pin number should be used as a "family code." No calling card was issued; just the family code stickers. We will continue to market the Restricted Calling Card aggressively.
7. Ameritech will also market the Domestic Calling Card when it becomes available. We will market the card to consumers and businesses who do not travel internationally. We anticipate that this card will be well received by the marketplace; as we have worked hard to increase awareness of the fraud that occurs with international scams.
8. Ameritech utilizes specific fraud investigation procedures. The Ameritech investigation begins when a calling card's use reaches our

predetermined limit or is referred by a carrier for investigation. The investigator checks the past usage on that number and looks at calling patterns or if the card has been denied before. The investigator will then attempt to call the customer to see if they, or someone they know, is using the card. If the customer says they are not aware of usage, we deny the card and arrange for a new pin. If the customer says that their card was lost or stolen, the same procedure is followed. If we are unable to reach the customer, we leave word to call us at an 800 number. The card is then denied, or not, depending on the judgment of the investigator based on available account history.

9. In addition, Ameritech utilizes an automatic deactivation process at the LIDB that deactivates a card once it hits a certain predetermined limit. This capability assists in catching fraud with no human interaction required.

In summary, Ameritech has developed and implemented a comprehensive program for toll fraud prevention and detection.

IV. LIDB/Calling Card Fraud

To facilitate tracking of fraudulent calls, IXCs should be required to provide the calling and called number to LECs. The calling and called numbers are part of the technical requirements of the LIDB query, and should therefore be provided by all query originators. The calling and called number information is used to minimize fraud. The LEC should not have to pay for data to minimize the fraud on the IXCs network. Calling and called numbers are critical in early detection of fraudulent calling patterns and activities, and are also useful when talking to the customer to determine if the calls are fraudulent. The customer always asks from where the calls are being made, and to what location the calls are made. With this information, certain international points could be more closely monitored, and Ameritech could more easily identify certain stations prone to fraud activity. Without the originating line number, Ameritech cannot properly monitor these locations.

During the first quarter of 1994, Ameritech will deploy a new state-of-the-art fraud detection system for monitoring calling card, collect and bill to third number

calls. The system is dependent on the LIDB query content and relies heavily on the calling and called number to create "fraud alerts."

Today, Ameritech provides LIDB coverage 7 days a week, 24 hours per day. In addition, an 800 HOT LINE is in existence for customers to call, day or night, to report a lost or stolen calling card. Further, we have partnered with our IXC customers, and accept and investigate referrals from their early detection systems, providing feedback and immediate LIDB updates when fraud is suspected or confirmed.

In the final analysis, Ameritech believes that the liability for calling card fraud belongs with the carrier that earns revenue from the call. With this approach, all parties have an incentive to implement steps to reduce toll fraud, and the "direct cost" of toll fraud are shared equitably.

On the issue of a tariff limitation on liability, such provisions should be viewed as valid for LECs with respect to toll losses incurred when a joint-use calling card is used. LIDB is not a fraud prevention service. LIDB is up-to-date and accurate, for the purposes for which it was designed. Validation does not reflect credit worthiness or guarantee that the call has been authorized. Moreover, the LIDB owner does not have the final decision on whether to permit the call or not. For example, if Ameritech sends a "verify all" response, the carrier has the ultimate decision as to whether to permit the call or not. The LEC should not have financial responsibility for situations that are out of their control.

Further, the LEC and LIDB users should be subject to the same level of risks. The LECs should not be forced to put LIDB users in a superior position with respect to the fraud problem.

V. Other Initiatives

Fraud Teams eagerly meet, share information, educate peers and develop programs for notifying others of new "fraud scams." We will continue these efforts.

Also, Ameritech has announced its intention to offer additional FLEX ANI codes in early 1994. FLEX ANI enhances the existing ANI feature by providing additional information in the ANI information indicator (ANI ii) digits which are forwarded to the customer during initial call processing. This information will assist the IXC carrier in making a decision on fraud probability and ultimately whether to complete the call or not.

Respectfully submitted,



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